



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Floor Speech of Sen. Chuck Grassley,  
Chairman, Committee on Finance:  
The Biden Amendment Raises Taxes on Small Business  
Thursday, Oct. 2, 2003

Mr. President, I will be brief. There are three big problems with Senator Biden's amendment. One is substantive and two are procedural.

Before I go into the problems with Senator Biden's amendment, let me say I agree with his concerns about the size of the package and the federal deficits that we are facing on the horizon. Hopefully, as the economy grows and federal revenues return to their average levels of between 18% and 19% of GDP, we'll close the gap.

I also want to point out that there are two sides to the federal ledger. One is the revenue side, that is, what we take from the people in the factories, offices, and farms across America. The other side of the ledger is the spending side. My friends on the other side focus exclusively, as Senator Biden has done, on the tax side. They look only to the taxpayers to put our fiscal house in order. I agree with the goal of reducing the deficit; I just disagree that it is all right to look only at the tax side.

Indeed, the Finance Committee approved a bill yesterday that included \$55 billion in revenue offsets. So, Republicans have been willing to exercise fiscal discipline, especially when it comes to closing corporate loopholes and curtailing tax shelters. I'd ask the full Senate, who was the last Democrat to propose any savings on the spending side? I don't recall a single spending cut being proposed by those on the other side. Maybe back in the mid-nineties, but you'd have to go back many years. All I see is spending increases. So, if those on the other side want to claim to be fiscal disciplinarians, let's see entries on the spending side of the ledger. To have credibility, you can't just go to the American people and ask for their money.

Let me also say that I'm concerned about the degree to which taxpayers are financing reconstruction in Iraq on a blank check basis. I first raised this concern almost a year ago. We ought to be very careful about the structure of this aid package. Maybe it should be a loan or have some equity interest for the taxpayers.

Now, I'd like to turn to Senator Biden's amendment. Let's go to the substantive problem first. Senator Biden is seeking to offset the President's \$87 billion request with a tax increase.

For 2001, the top rate was reduced to 38.6%. For 2003, the top rate was reduced to 35%. Senator Biden's amendment proposes to raise the top rate to 38.2%.

The premise of Senator Biden's position seems to be that taxpayers in the top bracket are solely Park Avenue millionaires, clipping coupons and the like. Well, the facts show differently.

According to the Treasury Department, about 80% of the benefits of the top rate go to small business owners. For the first time in many years, the top rate, 35%, is the same for the Fortune 500 as successful small business. Senator Biden's amendment would restore and, perhaps, enhance the 15% penalty on small business.

I don't quarrel with the notion that the taxpayers in the top bracket make incomes starting in the range of around \$350,000 to \$400,000. A lot of these successful small business owners make these figures. Keep in mind, that figure represents the total net income of those small businesses. Successful small businesses are those that purchase the equipment and hire the new workers. I'd ask my friends on the other side, who are so eager to raise taxes, reluctant to cut spending, and eager to increase spending to focus on the effects of their policy.

Small business creates 80% of the jobs in this country. Why, at this time, with high unemployment, would we want to raise taxes on the folks that create 80% of new jobs?

Just yesterday, the Finance Committee, on a 19-2 vote, reported a bill designed to cut the top marginal rate for small business manufacturers to 32%. Senator Biden's amendment would go the other way and hammer our small business manufacturers.

\_\_\_\_\_ Now, let's discuss the two procedural problems.

The first procedural problem is also constitutional. Under the Constitution, revenue measures must originate in the House. Senator Biden's amendment is a tax increase. It is a clear case of a revenue measure. The Ways and Means Committee has indicated the House will exercise its constitutional prerogative and "blue slip" this bill if it contains Senator Biden's amendment. A blue slip kills this bill. We go back to square one. A vote for the Biden amendment is a vote to stop aid to our troops. It is a vote to stop aid to the Iraqi people at a critical time.

Let me repeat that point. A vote for the Biden amendment is a vote against aid to our troops. A vote for the Biden amendment is a vote against assistance to the Iraqi people.

From my own perspective, as chairman of the Finance Committee, I have to warn members of our committee that the Biden amendment raises a fundamental tax issue on an unrelated bill. The Biden amendment treads on Finance Committee's jurisdiction. Every Finance Committee member should oppose Senator Biden's amendment on that basis alone. But, most importantly, this amendment is a reckless attack on our economic recovery and I strongly urge its defeat.

I yield the floor.